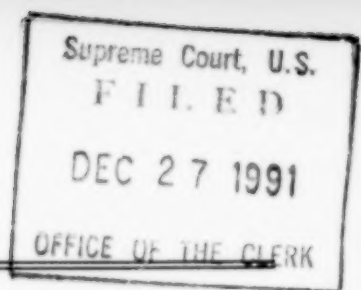


(2)
No. 91-971



In The
Supreme Court of the United States
October Term, 1991

TWO PESOS, INC.,

Petitioner,

v.

TACO CABANA INTERNATIONAL, INC., and
TACO CABANA, INC.,

Respondents.

**Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Fifth Circuit**

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

Following a jury trial, the District Court entered judgment finding that Two Pesos' restaurants infringed Taco Cabana's trade dress. The Court of Appeals for the Fifth Circuit affirmed the District Court's decision in all regards. Petitioner's framing of the questions are argumentative. Respondents submit that the questions before the Court are more properly framed as follows:

1. May an inherently distinctive trade dress be protected without a showing of secondary meaning?
2. Is a trade dress composed of an arbitrary combination of elements protectible as a whole even when several elements may also serve functional purposes?

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STATEMENT OF THE CASE

Respondents, Taco Cabana International, Inc. and Taco Cabana, Inc. (collectively "Taco Cabana") opened their first fast-food restaurant in San Antonio, Texas in September 1978. Subsequent restaurants were opened beginning in 1983 and, at the time of trial, Taco Cabana had 16 restaurants, in different cities in Texas. Each Taco Cabana restaurant has a distinctive trade dress which was described by the Court of Appeals as:

a festive eating atmosphere having interior dining and patio areas decorated with artifacts, bright colors, paintings and murals. The patio includes interior and exterior areas with the interior patio capable of being sealed off from the outside patio by overhead garage doors. The stepped exterior of the building is a festive and vivid color scheme using top border paint and neon stripes. Bright awnings and umbrellas continue the theme.

Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1117 (5th Cir. 1991).

Two Pesos misappropriated Taco Cabana's trade dress and opened its first restaurant in Houston, Texas in December 1985. Taco Cabana filed suit against Two Pesos in the United States District Court for the Southern District of Texas, Houston Division, in January 1987, alleging trade dress infringement under 15 U.S.C. § 1125(a) and state common law trade secret misappropriation.

The case was tried to a jury which found (a) Taco Cabana had a trade dress; (b) Taco Cabana's trade dress, taken as a whole, was non-functional; and (c) Taco Cabana's trade dress was inherently distinctive. 932 F.2d

at 1117. The jury also found that Taco Cabana's trade dress had not acquired a secondary meaning in the Texas market. *Id.* The jury awarded Taco Cabana \$306,000 in lost profits and \$628,300 in lost income on its trade dress infringement claim. The jury also awarded \$150,000 in damages on Taco Cabana's trade secret claim. The district court entered a finding of willful infringement and doubled the trade dress damages to \$1,868,600 and awarded Taco Cabana attorney's fees in the amount of \$937,550.¹ *Id.*

Two Pesos appealed to the United States Court of Appeals for the Fifth Circuit, raising a number of issues on appeal, two of which are presented as questions to this Court. Two Pesos argued that the jury's finding of an inherently distinctive trade dress was inconsistent with its finding that Taco Cabana's trade dress had not acquired secondary meaning in Texas. The Court of Appeals rejected Two Pesos' argument. *Taco Cabana*, 932 F.2d at 1120 n.7.

Two Pesos also argued that the district court's instruction to the jury on distinctiveness was erroneous, as it failed to properly address the issue of *inherence* in its instruction. *Taco Cabana*, 932 F.2d at 1120. However, the Court of Appeals held that "the instruction as a whole properly guided the jury as to the elements of inherent distinctiveness." *Taco Cabana*, 932 F.2d at 1120.

¹ The parties stipulated to the amount of reasonable attorney's fees to be awarded if the district court could properly award attorney's fees.

With respect to the question of functionality, Two Pesos argued that Taco Cabana's own witnesses had admitted that the only items which were non-functional in its trade dress were the plants and the decor. The district court recognized that Two Pesos was attempting to confuse the jury as to the differences between *lay* functionality and *legal* functionality in the trade dress sense and cautioned Two Pesos' counsel on this matter. On appeal, the Fifth Circuit characterized Two Pesos' argument as "a fallacious syllogism: (1) functional elements do not enjoy protection; (2) Taco Cabana's trade dress includes functional elements; (3) therefore Taco Cabana's trade dress does not enjoy protection." 932 F.2d at 1119. The Court of Appeals stated that an arbitrary combination of functional features was protectable even where the combination is related to performing a function. *Id.* The Court of Appeals held that the district court's instruction on functionality did not mislead the jury or prejudice Petitioner, noting evidence of alternative combinations of elements which could be used to compete effectively. *Id.*

REASONS FOR DENYING THE PETITION FOR CERTIORARI

Respondents' cause of action for trade dress infringement was brought under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). In passing the Lanham Act, it was Congress' intent to simplify trademark practice and establish uniformity within this branch of the law of unfair competition. Protection of registered and unregistered trademarks are subject to the same analysis under the Lanham

Act. One principle of trademark law is that an inherently distinctive mark – one which is arbitrary, fanciful or suggestive – is protectable without a showing of secondary meaning.

Petitioner asks the Court to create an exception to this principle for trade dress protection under the Lanham Act and states two reasons for creating this exception. First, the Fifth Circuit Court of Appeals was incorrect in holding that a showing of secondary meaning was not required where Respondents' trade dress was found to be inherently distinctive. Second, protection of trade dress without a showing of secondary meaning has a chilling effect on business though it is not argued that trademark protection has this effect.

Petitioner incorrectly states that the remaining circuit courts of appeals require a showing of secondary meaning for an inherently distinctive trade dress. The Fifth Circuit's analysis has been adopted by an increasing number of the circuits. In fact, only one circuit court of appeals follows the view urged by Petitioner.

Protection of an inherently distinctive trade dress without a showing of secondary meaning would not have the chilling effect on business claimed by Petitioner, any more than it does where unregistered trademarks are involved. Requiring such a showing for an inherently distinctive trade dress would permit a second comer to freely steal an otherwise protectable trade dress, so long as no secondary meaning has been specifically found.

Petitioner also argues that protection of a trade dress composed of various design elements, some of which also

serve a function, would result in the creation of a monopoly over the individual elements. Further, Petitioner argues that this protection would improperly encroach upon established patent law. However, Petitioner ignores the established body of case law which deals with the issue of functionality and protection of trade dress. The case law makes clear that the doctrine of functionality was created to prevent the very evil claimed by Petitioner.

The questions presented by Petitioner do not require the Court's attention. For these reasons and those set forth below, Respondents respectfully request that the Court deny Petitioner's request for certiorari.

I.

SECONDARY MEANING IS NOT REQUIRED WHERE A TRADE DRESS IS FOUND TO BE INHERENTLY DISTINCTIVE

Petitioner states that the rule in the Fifth Circuit "permits generic, descriptive Mexican decor, consisting primarily of functional features, to be an 'inherently distinctive' and, therefore, protectable trade dress such that secondary meaning – which the jury found lacking – need not be shown." Pet. Brief at 7.² Petitioner argues that this

² Petitioner misstates the jury's findings – it did not find Taco Cabana's trade dress to be generic or descriptive. As the Court of Appeals noted, "no one contends that Taco Cabana's trade dress is generic." *Taco Cabana*, 932 F.2d at 1120 n.8.

rule goes against the holdings of five other circuit courts and leads to uncertainty in the marketplace which would "chill legitimate competitive activity."³ Pet. Brief at 7. Petitioner is incorrect and its competitive activity is not legitimate.

A careful review of the law of the circuits finds that, where the courts have directly addressed the issue of whether an inherently distinctive trade dress is protectable in the absence of secondary meaning, the majority of the courts have held that secondary meaning is not required. Trademark law holds that the requirements of inherent distinctiveness and secondary meaning are mutually exclusive. To hold otherwise would effectively create a federal common law with respect to trade dress at odds with the stated purposes of the Lanham Act. The effect of this rule does not have a chilling effect on legitimate competition since the evidence showed there were numerous legitimate competitors in the marketplace.

A. Contrary To Petitioner's Assertions, the Majority of the Circuits Do Not Expressly Require Secondary Meaning for Trade Dress Protection

Petitioner argues that the Fifth Circuit rule – showing of secondary meaning not required where a trade dress is

³ Two Pesos fails to note that in view of the evidence and testimony, the district court found and the Court of Appeals agreed that Two Pesos intentionally, deliberately and willfully attempted to copy Taco Cabana's trade dress. *Taco Cabana*, 932 F.2d at 1127.

found to be inherently distinctive – is an "aberrational rule" that stands trade dress protection analysis on its head. Pet. Brief at 9. Petitioner states that "the Second, Third, Sixth, Eighth and Ninth Circuits require that a trade dress have secondary meaning before it will be protectable." Pet. Brief at 8. An analysis of the case law, however, demonstrates that Petitioner's assertion is incorrect.

1. The Third, Fourth, Fifth, Seventh and Eleventh Circuits Have Held No Showing of Secondary Meaning is Required for Inherently Distinctive Trade Dress

Petitioner claims that the Third Circuit requires that secondary meaning must be shown in a trade dress before it is protectable, citing *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136 (3d Cir. 1986). In the *American Greetings* case, plaintiff *did not argue* that the "Care Bears" were inherently distinctive, only that they had acquired secondary meaning. *Id.* at 1139. Thus, the Third Circuit did not address this issue in *American Greetings* as alleged by Petitioner.

In *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 291 (3d Cir.), *cert. denied*, 1991 U.S. LEXIS 6412 (1991), the Third Circuit stated "[w]here a mark has not been federally registered or has not achieved incontestability, validity depends on proof of secondary meaning, *unless* the unregistered or contestable mark is inherently distinctive." (Emphasis added). The Third Circuit recognized that secondary meaning analysis was not required where an unregistered mark is inherently distinctive, i.e.,

arbitrary, fanciful or suggestive, and *specifically recognized* that "container shapes, and designs and pictures may also be classed as 'fanciful'." 930 F.2d at 292 n.18. The Third Circuit held that the secondary meaning analysis was to be required only of marks and trade dress which were held to be merely descriptive. It was not required for marks found to be inherently distinctive. *Id.*

The Fourth Circuit has not expressly spoken on this issue, but the district courts in the Fourth Circuit have uniformly held that secondary meaning is required only *in the absence* of inherent distinctiveness. In *CBS, Inc. v. Logical Games, Inc.*, 220 U.S.P.Q. 434, 436 (E.D. Va. 1982), *aff'd*, 719 F.2d 1237 (4th Cir. 1983), the district court stated "whether secondary meaning is a necessary element for ownership depends on whether the trade dress is inherently distinctive." *See also, Philip Morris, Inc. v. MidWest Tobacco, Inc.*, 9 U.S.P.Q.2d 1210, 1213 (E.D. Va. 1988) ["Trade dress will be protected *either* "if [it is] inherently distinctive *or* [has] acquired secondary meaning to the general buying public." (Emphasis added), citing *Selchow & Righter Co. v. Decipher, Inc.*, 598 F. Supp. 1489, 1495 (E.D. Va. 1984)].

The commentators recognize that the Fifth Circuit was the first Court of Appeals to require either inherent distinctiveness or secondary meaning for a trade dress to be protectable:

The [Fifth Circuit] court held that trade dress would be categorized *in the same way* as all other trade symbols: either inherently distinctive or non-inherently distinctive. (Footnote omitted). If the former, distinctiveness or secondary meaning is not necessary. If the latter, distinctiveness

through the acquisition of secondary meaning must be proven. . . . (Bracketed material and emphasis added).

J. McCarthy, *Trademarks and Unfair Competition*, § 8:2 at 287 (2d ed. 1984), citing, *Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 702 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126 (1982) (hereinafter "*McCarthy*").⁴

The Fifth Circuit has been consistent in the application of this rule which considers trade dress as part of the larger class of trade designators. The reasoning behind this rule was set forth in *Sicilia Di R. Biebow & Co. v. Cox*, 732 F.2d 417, 426 n.7 (5th Cir. 1984):

In this circuit, sufficiently distinctive trade dress, upon use in the market, is presumed to serve as an identifier of source without proof of secondary meaning. (Citations omitted). The reasons for requiring proof of secondary meaning are particularly diminished when applied to distinctive packaging. First, such trade dress generally does not begin with a "primary meaning" that must be surpassed by secondary meaning for that dress to serve as a sign of source. (Citation omitted). Unlike a product's configuration, which may acquire trademark value over time and by exposure to consumers, arbitrary

⁴ Professor McCarthy notes in his 1990 Supplement to his treatise that an increasing number of courts agree with his discussion of the *Chevron* case, including the Seventh and Eleventh Circuits, while other Circuit Courts, such as the Ninth have left it an open question. *McCarthy*, § 8:2 (Supplement 1990).

and nonutilitarian trade dress or packaging usually is designed to act immediately as an identifier of source. (Citations omitted).

Further, a finding of inherent distinctiveness raises an irrebuttable presumption that a trade dress has achieved customer recognition and association promptly upon use. *McCarthy*, § 15:1 at 656. Case law within the Fifth Circuit has continued to follow this rule. See *Taco Cabana, supra*; *Allied Mktg. Group, Inc. v. CDL Mktg., Inc.*, 878 F.2d 806, 813 (5th Cir. 1989).

The Seventh Circuit likewise does not require a finding of secondary meaning where a trade dress has been held to be inherently distinctive. In *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176 (7th Cir. 1989), the Seventh Circuit stated the "manufacturer . . . must establish either that its trade dress has acquired secondary meaning (footnote omitted) or that its trade dress has added a distinctive, identifying mark." (Citation omitted, emphasis in original). See also *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 936 (7th Cir. 1989), *cert. denied*, 493 U.S. 1075 (1990).

The Eleventh Circuit also follows the rule that a trade dress may be protectable upon a showing of inherent distinctiveness or secondary meaning. *Ambrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1536 (11th Cir. 1986) ("[b]ecause we hold that the district court's finding with respect to inherent distinctiveness is not clearly erroneous, we need not address the secondary meaning issue.") See also, *Bauer Lamp Co. v. Shaffer*, 941 F.2d 1165, 1171 (11th Cir. 1991) (in a § 43(a) trade dress action plaintiff must prove distinctiveness or secondary meaning); *Original Appalachian Artworks, Inc. v. Toy Loft, Inc.*, 684 F.2d 821, 831 (11th Cir.

1982) (adopting *Chevron* as persuasive, though not required to under *Bonner v. City of Prichard, Ala.*, 661 F.2d 1206, 1209 n.5 (11th Cir. 1981)).

2. The First, Sixth, Eighth, Ninth, Tenth and D.C. Circuits Have Not Expressly Decided the Issue of Whether an Inherently Distinctive Trade Dress is Separately Protectable

Petitioner fails to analyze the case law properly to determine whether these circuits require a finding of secondary meaning where a trade dress is found to be inherently distinctive. The First Circuit has not directly addressed the issue of whether a showing of secondary meaning is required for an inherently distinctive trade dress. In *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 378 (1st Cir. 1980), it stated that secondary meaning must be shown. However, the court did not consider whether plaintiff's trade dress, a cylinder, could be inherently distinctive. Thus, the First Circuit has not directly addressed the issue.

The case cited by Petitioner in the Sixth Circuit (*Kwik-Site Corp. v. Clear View Mfg. Co.*, 758 F.2d 167, 178 (6th Cir. 1985), citing *Litton Sys., Inc. v. Whirlpool Corp.*, 728 F.2d 1423, 1444-45 (Fed. Cir. 1984)) held that a finding of secondary meaning is required for protection of trade dress. However, the *Kwik-Site* case fails to discuss whether a showing of secondary meaning is required where a trade dress is found to be inherently distinctive. In the recent *Ferrari s.p.a. Esercizio Fabbriche Automobili E Corse v. Roberts*, ___ F.2d ___, 20 U.S.P.Q.2d 1001, 1006 (6th Cir. 1991) decision, the Sixth Circuit held:

Ferrari's vehicles would not acquire secondary meaning merely because they are unique designs or because they are aesthetically beautiful. The design must be one that is *instantly identified in the mind of the informed viewer as a Ferrari design*. (Emphasis added).

This instant identification of a design with its source is the definition of *inherent distinctiveness*. See, *Sicilia*, 732 F.2d at 426 n.7 (immediate identifier of source); *McCarthy*, § 11:2 at 435. Thus, while the Sixth Circuit did not directly address the issue, it recognized in *dicta* that inherent distinctiveness could occur. However, the Court did not go on to state whether a showing of secondary meaning is required for an inherently distinctive trade dress. While several district court cases have discussed a need for a showing of secondary meaning for protection of trade dress [see, *Someday Baby, Inc. v. JTG of Nashville, Inc.*, 744 F. Supp. 811 (M.D. Tenn. 1990); *Schreiber Mfg. Co. v. Saft America, Inc.*, 704 F. Supp. 759, 768 (E.D. Mich. 1989) (citing *Kwik-Site*)], at least one district court in the Sixth Circuit held that secondary meaning is not required where the trade dress is arbitrary (therefore inherently distinctive). *Sun Prods. Group, Inc. v. B&E Sales Co.*, 700 F. Supp. 366, 380 (E.D. Mich. 1988), citing *Chevron*. Petitioner's contention that the Sixth Circuit absolutely requires secondary meaning is not supported by the variance in the cases within the circuit.

Nor has the Eighth Circuit expressly addressed the question of whether a showing of secondary meaning is required for a trade dress found to be inherently distinctive. In *Prufrock Ltd. v. Lasater*, 781 F.2d 129, 132 (8th Cir. 1986), the Eighth Circuit stated that trade dress protection

could be obtained where the trade dress was non-functional and had acquired a secondary meaning, citing *Truck Equip. Serv. Co. v. Freuhauf Corp.* (hereafter *TESCO*), 536 F.2d 1210 (8th Cir.), *cert. denied*, 429 U.S. 861 (1976) and *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966 (11th Cir. 1983). The court in *Prufrock* did not consider whether the trade dress was inherently distinctive.

In *TESCO*, the district court *did not* consider whether the truck design was inherently distinctive and the Eighth Circuit did not address the issue. In *John H. Harland*, the Eleventh Circuit noted with approval that a showing of secondary meaning *was not required* where a trade dress was inherently distinctive. If anything, the *Prufrock* court relied on a case which is inconsistent with the position urged by Petitioner. Subsequent cases have suggested that secondary meaning may be required. See, e.g., *Woodsmith Publishing Co. v. Meredith Corp.*, 904 F.2d 1244, 1247 (8th Cir. 1990); *Rally's, Inc. v. International Shortstop, Inc.*, 19 U.S.P.Q.2d 1206 (E.D. Ark. 1990). However, only one case has directly addressed the issue. In *Animal Fair, Inc. v. Amfesco Indus., Inc.*, 620 F. Supp. 175, 190 (D. Minn. 1985), *aff'd*, 794 F.2d 678 (8th Cir. 1986), the district court stated that secondary meaning is unnecessary where a product's exterior dress is inherently distinctive. The Eighth Circuit affirmed without opinion which left the district court's reasoning intact.

Additionally, Petitioner fails to properly analyze the case law in the Ninth Circuit. Petitioner cites *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1381 (9th Cir. 1987) for the proposition that secondary meaning is required for trade dress protection. However, in *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 843 (9th Cir. 1987), the

Ninth Circuit stated, "We need not, in any event, decide whether it is ever appropriate to protect an inherently distinctive trade dress without proof of secondary meaning."⁵ Indeed, the Ninth Circuit still holds this to be an open question. See *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 615-16 n.8 (9th Cir. 1989) ("we do not reach Vision's alternative argument that the VSW logo is inherently distinctive and therefore may be protected without a showing of secondary meaning" citing *Fuddruckers* as leaving open the question of whether an inherently distinctive trade dress may be protected without secondary meaning).

Whether an inherently distinctive trade dress must also have secondary meaning remains an open question in the Tenth Circuit as well. In *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 517 (10th Cir. 1987), the Tenth Circuit stated that "[g]enerally, to be eligible for protection, the product's 'trade dress' must be nonfunctional and have acquired a secondary meaning." The Tenth Circuit went on in a lengthy footnote, 832 F.2d at 517 n.2, to recognize that other cases have held that secondary meaning is not required where a trade dress is inherently distinctive, noting that the Tenth Circuit had previously suggested that a finding of inherent distinctiveness was sufficient in *J.M. Huber Corp. v. Lowery Wellheads, Inc.*, 778 F.2d 1467, 1470 (10th Cir. 1985). The Tenth Circuit

⁵ The Ninth Circuit stated if the "trade dress is inherently distinctive, the further requirement of a showing of secondary meaning should be superfluous." (Emphasis in original). *Fuddruckers*, 826 F.2d at 843. Thus, a finding of inherent distinctiveness would automatically entitle a trade dress to protection. However, the Ninth Circuit declined to decide this issue.

declined to address the issue as defendant had not challenged the district court's finding that the fishing reel trade dress at issue had secondary meaning.

The D.C. Circuit likewise has never directly addressed whether an inherently distinctive trade dress may be protected without a showing of secondary meaning. While the D.C. Court of Appeals in *Reader's Digest Ass'n, Inc. v. Conservative Digest, Inc.*, 821 F.2d 800, 803 (D.C. Cir. 1987) held that secondary meaning was required for trade dress protection, it did not discuss (nor has any D.C. district court) whether secondary meaning would be required for an inherently distinctive trade dress.

3. The Second Circuit Is the ONLY Circuit Which Expressly Requires a Showing of Secondary Meaning for an Inherently Distinctive or Arbitrary Trade Dress

Only the Second Circuit has held that arbitrary, and therefore inherently distinctive, designs require a showing of secondary meaning. *Murphy v. Provident Mut. Life Ins. Co.*, 923 F.2d 923 (2d Cir. 1990), cert. denied, ___ U.S. ___, 60 U.S.L.W. 3258 (1991)⁶; *Stormy Clime Ltd. v. Pro-Group, Inc.*, 809 F.2d 971, 974 (2d Cir. 1987).

⁶ Petitioner Murphy argued one reason for granting writ of certiorari was that his design was suggestive, and therefore inherently distinctive, and did not require a showing of secondary meaning. The Court declined to grant certiorari on this basis.

Petitioner's analysis of the law of the circuits is simply inaccurate. The Fifth Circuit has not pulled "the ship of trademark and unfair competition law loose from its moorings" as Petitioner suggests. Pet. Brief at 7. Rather, the Fifth Circuit established a rule which "brought trade dress cases into the *mainstream of trademark law*." (Emphasis added). *McCarthy*, § 8:2 at 287. This rule has been followed by all but one of the circuits that have directly addressed the issue.

B. The Principles Relating to Distinctiveness of a Trademark Apply Equally to the Protection of Trade Dress

Petitioner cites the Court's decision in *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985) regarding generic and descriptive marks and argues that it is nearly impossible for restaurant trade dresses to be inherently distinctive. Pet. Brief at 10-12. However, Petitioner fails to explain why a trade dress cannot be inherently distinctive or should be analyzed under a different set of rules. As noted by the Eleventh Circuit in *Rickard v. Auto Publisher, Inc.*, 735 F.2d 450, 457-58 (11th Cir. 1984) in its discussion of whether remedies under § 35 of the Lanham Act should apply to unregistered trademark actions brought under § 43(a), it was Congress' intent to simplify trademark practice and establish uniformity. To require an inherently distinctive trade dress to have acquired secondary meaning goes against the established rules of trademark law and would undercut Congressional intent on uniformity.

1. A Mark or Dress Found to be Inherently Distinctive by Its Very Nature Need Not Show Secondary Meaning

a. The Spectrum of Trademark Distinctiveness

A trademark may be defined as a sign, device or mark by which the articles produced or provided by a source are distinguished from those produced or provided by another. *McCarthy*, § 3:2, at 105 n.1. Part of this identification process includes the product's or service's packaging or "trade dress." Trademarks are customarily grouped into four categories: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1183 (5th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981). See also, *Taco Cabana*, 932 F.2d at 1120 n.8; *Miller Brewing Co. v. G. Heileman Brewing Co.*, 561 F.2d 75, 79 (7th Cir. 1977), *cert. denied*, 434 U.S. 1025 (1978); *Freedom Savs. & Loan Ass'n v. Way*, 757 F.2d 1176, 1182-83 n.5 (11th Cir.), *cert. denied*, 474 U.S. 845 (1985).

As the Court noted in *Park 'N Fly*, 469 U.S. at 194, a generic term is not registrable or protectible. One which is "merely descriptive" of the qualities of goods or services may be protected only upon a showing of secondary meaning. *Id.* A fanciful mark is one which is "coined" to serve as a trademark. *McCarthy*, § 11:2 at 436. An arbitrary mark is a word symbol or picture which has a common usage, but which when used with the goods or services, neither describes nor suggests the ingredients, quality or characteristics of the goods or services. *McCarthy* § 11:4 at 439. A suggestive mark is one which suggests rather than describes a particular characteristic of the goods or services to which it is applied and requires some

amount of imagination by the consumer to draw a conclusion as to the nature of the goods or services. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790 (5th Cir. 1983). Arbitrary, fanciful and suggestive marks are grouped in a larger class of marks known as "inherently distinctive" marks. *McCarthy*, § 11:2 at 435. It is well established that inherently distinctive marks are protectible and registrable when first used without the need to show secondary meaning. *Id.*; *Soweco*, 617 F.2d at 1184. The Fifth Circuit, and other circuits, have applied the very same analysis to trade dress. *Sicilia*, 732 F.2d at 425 n.3. *Bauer Lamp*, 941 F.2d at 1170 (Eleventh Circuit); *Roulo*, 886 F.2d at 931 (Seventh Circuit).

Petitioner argues that the principles of trademark distinctiveness should not apply to trade dress and alludes to the fact that the registration of a mark necessarily involves a determination of the distinctiveness of a mark – something not done in the case of a trade dress – and the hazards it presents a legitimate business competitor. However, Petitioner ignores the fact that the Lanham Act was intended to simplify trademark practice and extend uniform protection to unregistered marks. *Rickard*, 735 F.2d at 457-58. The distinctiveness analysis for unregistered marks is the same used for registered marks. Thus, a legitimate business competitor would face the same problems when confronted with an unregistered trademark. Further, the courts have held that trade dress itself effectively serves the same purpose as an unregistered mark. *Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc.*, 781 F.2d 604, 608 (7th Cir. 1986) ("there is probably no substantive legal difference between these terms [trade dress and trademark] . . . ") (bracketed material added). It

follows then that the rules used to determine the distinctiveness of a registered mark are likewise applicable to unregistered marks and trade dress.

b. Trade Dress, Including Restaurant Trade Dress, is Capable of Being Inherently Distinctive

As Professor McCarthy notes, an inherently distinctive mark is one which is capable of serving as an indicator of source immediately upon use. *McCarthy*, § 15:1 at 656. It likewise follows that an inherently distinctive trade dress is one which indicates the source of the goods or services as opposed to the product itself. Contrary to Petitioner's assertion, Professor McCarthy did not state that *all* trade dresses are weak and require secondary meaning. Pet. Brief at 9. Professor McCarthy notes that trade dress can be inherently distinctive and does not require a showing of secondary meaning. *McCarthy*, § 8:2 at 287 (2d ed. 1984 & Supp. 1990). On the other hand, Petitioner argues that trade dress cannot be inherently distinctive.⁷ Pet. Brief at 11-12.

The district court instructed the jury on distinctiveness as follows:

⁷ Petitioner's argument is undercut by the fact that Petitioner's own franchise agreement describes Two Pesos' restaurant trade dress as "certain *distinctive and identifying* restaurant layout and design features, including *distinctive* building design, decor, accessories and fixtures and other identifying trade dress in the interior and exterior of its Restaurants, which features . . . are collectively referred to herein as 'Trade Dress'" (emphasis added). *Taco Cabana*, 932 F.2d at 1118 n.5.

Distinctiveness is a term used to indicate that a trade dress serves as a symbol of origin. If it is shown, by a preponderance of the evidence, that Taco Cabana's trade dress distinguishes its products and services from those of other restaurants and is *not descriptive and not functional*, then you should find that Taco Cabana's trade dress is inherently distinctive. (Emphasis added).

Taco Cabana, 932 F.2d at 1120.

The jury's categorization of Respondents' trade dress as inherently distinctive is an issue of fact and is subject to review under the clearly erroneous standard of Fed. R. Civ. P. 52. *Zatarains*, 698 F.2d at 793. The Court of Appeals did not disturb the jury's verdict.

Petitioner ignores this finding and proceeds to attempt to analyze Respondents' trade dress as if it were descriptive and must show secondary meaning. As noted by another commentator, "[b]y definition, the concepts of 'distinctiveness' and 'descriptiveness/genericness' are mutually exclusive." 3 L. Altman, R. Callmann, *The Law of Unfair Competition, Trademarks and Monopolies*, § 18.01 n.4 (4th ed. 1983) (hereinafter *Callmann*). The reason is simple: a distinctive trade dress serves automatically as an indicator of source and does not have a primary meaning which must be overcome by a secondary meaning to indicate source. *Sicilia*, 732 F.2d at 426 n.7.

Petitioner argues that "trade dresses do not ordinarily possess a primary meaning, but that does not necessarily mean they are arbitrary and fanciful and therefore protectable as inherently distinctive." Pet. Brief at 11. Nonetheless, Petitioner argues that Respondents'

restaurant trade dress is one of those rare trade dresses which has a primary meaning – that it is a Mexican restaurant serving Mexican food. Respondents' trade dress was described by the Court of Appeals as a "festive eating atmosphere. . . ." which included bright colors, border paint and neon stripes, umbrellas and artifacts but Respondents' trade dress *was not limited* to Mexican artifacts. *Taco Cabana*, 932 F.2d at 1117.

Petitioner complains that the instruction on distinctiveness failed to adequately instruct the jury on the concept of inherency or the immediate ability to distinguish Respondents' goods or services from others. The Court of Appeals noted that the district court could have achieved greater clarity by separately instructing the jury on the issue of inherent distinctiveness but noted that "[a] distinctive trade dress that is neither descriptive nor functional is *ipso facto* inherently distinctive." (Emphasis in original) *Taco Cabana*, 932 F.2d at 1120. See also, *Sicilia*, 732 F.2d at 425 n.3 ("a trade dress feature is distinctive if it is arbitrary or fanciful, and not descriptive or functional.") The Court of Appeals found that "the instruction as a whole properly guided the jury as to the elements of inherent distinctiveness." *Taco Cabana*, 932 F.2d at 1120. See also, *Middleton v. Harris Press and Shear, Inc.*, 796 F.2d 747, 749 (5th Cir. 1986).

The jury found Respondents' trade dress to be inherently distinctive and thus it did not require a finding of secondary meaning. As noted in *Callmann* § 18.01 n.4, a finding of *both* inherent distinctiveness and secondary meaning would be unnecessary as they are mutually exclusive terms.

c. Petitioner's "Public Policy" Arguments are Not Supported by the Cited Case Law

Petitioner makes a prospective argument that public policy would best be served by requiring secondary meaning for trade dress in all instances. However, Petitioner fails to state why the Court should depart from a common trademark/trade dress approach. Petitioner argues that the "better view" would be to hold that a trade dress is not protectible in the absence of secondary meaning, citing *Fuddruckers*. As noted above and in Petitioner's own brief, the Ninth Circuit in *Fuddruckers* stated that "If . . . its claimed trade dress is *inherently distinctive*, the further requirement of a showing of secondary meaning should be superfluous." (Emphasis in original). *Fuddruckers*, 826 F.2d at 843. At the very least, the question of whether an inherently distinctive trade dress must show secondary meaning remains open in the Ninth Circuit. *Vision Sports*, 888 F.2d at 615-16 n.8.

Nor is Petitioner's reliance on *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 109 S.Ct. 971 (1989) persuasive. In *Bonito Boats*, this Court recognized that an unpatented design may be protected under § 43(a) of the Lanham Act. 109 S.Ct. at 985. Petitioner argues that, given the lack of secondary meaning, Respondents' trade dress does not protect consumers against confusion as to source. The jury found that Respondents' trade dress served as an indicator of source by finding it inherently distinctive. Further, Respondents presented evidence to the jury as to the likelihood of confusion as to source. *Taco Cabana*, 932 F.2d at 1122. This is the very type of confusion that trademark law is intended to prohibit.

Only the Second Circuit has expressly stated that an inherently distinctive trade dress must also show secondary meaning. The Third, Fourth, Fifth, Seventh and Eleventh Circuits have directly addressed the issue and have held that a showing of secondary meaning is not required. The First, Sixth, Eighth, Tenth and D.C. Circuits have not directly addressed this question. There does not exist a wide difference of opinion in the Court of Appeals warranting the grant of certiorari on this question.

II.

ARBITRARY COMBINATIONS OF ELEMENTS ARE PROTECTIBLE AS TRADE DRESS

Petitioner describes functionality as "an aberrational doctrine" having its sole application in trade dress law. Pet. Brief at 20. While functionality is not generally applied in trademark law, it can hardly be considered an aberration. The doctrine of functionality exists to limit trade dress protection and maintain a balance between patent and trademark law. The granting of exclusive rights to "functional" features is the domain of patent law. *Vaughn Mfg. Co. v. Brikam Int'l, Inc.*, 814 F.2d 346, 349 (7th Cir. 1987). In trade dress terms, a feature is "functional" where it is *dictated by the function* that the relevant product or trade dress is intended to serve. Ultimately, the inquiry of functionality goes to the issue of whether the granting of trade dress protection to a feature or combination of features would unduly hinder competition. *Sicilia*, 732 F.2d at 429-30.

Petitioner argues that Respondents' witnesses admitted that the trade dress was composed of "functional

elements." As noted above, Petitioner's own counsel admitted that he was talking about functionality in the *lay sense* rather than the legal sense. The distinction between lay and legal functionality was recognized by the Court of Customs and Patent Appeals in *In re Morton-Norwich Prods., Inc.*, 671 F.2d 1332, 1337 (C.C.P.A. 1982), when it held that an element may be functional in a lay sense and still be protectible as an indicator of source. Accordingly, the witnesses' statements should be of no import. Nonetheless, Petitioner argues that each of these elements was functional in a legal sense and therefore non-protectible. Accordingly, arbitrary combinations of these elements, each of which serves a function, cannot be protected as it would have the effect of granting unlimited protection to those individual features. Pet. Brief at 15-16. This argument was made to the district court and the Court of Appeals and was rejected by both. *Taco Cabana*, 932 F.2d at 1119.

Petitioner's argument that an arbitrary combination of functional elements is not protectible simply is not supported by the case law. The district court properly instructed the jury that functionality should be judged in terms of the *overall trade dress*. *Taco Cabana*, 932 F.2d at 1119. Nor does protection of the combination of elements, even if each serves a function, result in a monopoly on each of the elements in Respondents' trade dress. As the Ninth Circuit noted in *Fuddruckers*:

Viewing the elements as a whole does not result in monopoly protection for necessary elements. If Fuddruckers were to get protection for its trade dress, which includes such items as directors chairs, white tile, and an open bakery, it

could not preclude other restaurants from using those items. It can only prevent competitors from using the items in a way that, viewed as a whole, is likely to confuse consumers. There are many ways to use directors chairs, white tile, open bakeries, and the many other items that make up Fuddruckers' trade dress that would not cause confusion.

Fuddruckers, 826 F.2d at 842 n.7.

Granting protection to Respondents' trade dress which is comprised of various elements, some of which serve a function, does not result in a monopoly on the elements themselves. The courts of appeals have universally recognized that trade dress protection may be granted to combinations which may include functional elements. As noted by the Third Circuit in *American Greetings*, 807 F.2d at 1143:

We agree with the district court that one may have a protectible interest in a combination of features or elements that includes one or more functional features. (Citations omitted). *Indeed, virtually every product is a combination of functional and non-functional features and a rule denying protection to any combination of features including a functional one would emasculate the law of trade dress infringement.* (Emphasis added).

Accord, *Stormy Clime*, 809 F.2d at 975 (Second Circuit); *Vaughn Mfg.*, 814 F.2d at 350 (Seventh Circuit).

Petitioner cites *Bonito Boats* arguing that granting protection for a combination of functional elements will improperly encroach upon patent law. However, the Court in *Bonito Boats* recognized that trade dress protection was considered an exception to the design patent

laws where consumer confusion would result from copying. *Bonito Boats*, 109 S.Ct. at 981. It is the arbitrary combination and the manner in which they are combined which must be judged in terms of functionality. The evidence presented at trial clearly shows that other restaurants, which compete successfully in the same market niche and utilize a number of the same elements in different combinations, do not cause confusion with Respondents' protectible trade dress. *Taco Cabana*, 932 F.2d at 1119. Respondents' combination of elements is clearly not one which would hinder *legitimate competition*.

Petitioner also states that other intellectual property law does not permit the protection of a combination of elements which are individually non-protectible. This is a gross misstatement of the law. This Court in *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, ___ U.S. ___, 111 S.Ct. 1282, 1291 (1991), made it clear that while facts and ideas are themselves unprotectible, compilations which meet the requirement of originality are protectible. Likewise, a combination of known elements which results in a new use or application and meets the statutory requirements may be granted a patent. See *Grain Processing Corp. v. American Maize-Prods. Co.*, 840 F.2d 902, 907 (Fed. Cir. 1988) ("[T]he inquiry is not whether each element existed in the prior art, but whether the prior art made obvious the invention as a whole for which patentability is claimed."). Disclaimer practice in trademark law also permits the protection of a composite mark where one or more of the terms in the mark would not, by itself, be entitled to protection. 15 U.S.C. § 1056.

The jury found that Taco Cabana's trade dress, taken as a whole, was non-functional. Petitioner's argument

that Respondents' arbitrary combination of elements, some or even all of which serve a function, is not protectible trade dress is not supported by case law or by analogy to other areas of intellectual property law.

III.

TRADE DRESS PROTECTION UNDER THE LANHAM ACT IS AN ESTABLISHED AREA OF LAW WHICH DOES NOT PRESENT THE DANGER TO PATENT PROTECTION CLAIMED BY PETITIONER

The jury in this case found Respondents' trade dress to be inherently distinctive and protectible under the law of the Fifth Circuit. As noted above, all but one of the circuits which have directly addressed the issue have held that secondary meaning is not required for an inherently distinctive trade dress. Indeed, the concepts of inherent distinctiveness and secondary meaning are mutually exclusive. *Callmann*, § 18.01 n.4.

The jury found Respondents' trade dress as a whole to be non-functional. The Court of Appeals' affirmation of the district court's judgment is not an "ill-considered revision" of the doctrine of functionality. As set forth above, the Fifth Circuit applied the doctrine of functionality in a manner consistent with other precedents in the trademark field.

It is argued that a would-be competitor would be unable to determine whether a trade dress may be freely copied by checking with the Patent and Trademark Office; however, this argument is a *non sequitur*. The competitor may commission a trademark search which will uncover federally registered marks and unregistered

uses that may create problems. However, it does not advise the competitor of how close one may come to a registered mark before a registrant or earlier unregistered user will complain of infringement. Trade dresses are generally not registered but that does not render them any less protectible. Registration is not the *sine qua non* of trademark and unfair competition law as the existence of § 43(a) demonstrates.

Lastly, Petitioner requests that the Court further define those areas of interface between patent protection and trade dress protection. The federal courts in applying § 43(a) to trade dress cases have created the doctrine of functionality which precludes the granting of protection to individual or combinations of features found to be functional. Its purpose is to maintain the balance between patent and trademark law by denying protection where such a grant would have the effect of unduly hindering competition by granting protection. *Sicilia*, 732 F.2d at 429-30.

Trade dress protection does not present the threat to patent protection that Petitioner asserts in an effort to insulate its intentional misconduct from legal redress. The Fifth Circuit below struck the right balance.

IV.

CONCLUSION

The Court of Appeals' decision was a proper application of the law of trade dress and all of the other circuits that have taken up the issue agree with the exception of the Second Circuit. The questions raised by Petitioner do

not require the Court's attention. Accordingly, Respondents respectfully request that the Court deny Petitioner's request for certiorari.

Respectfully submitted,

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